

**UNITED STATES DEPARTMENT OF
AGRICULTURE**

Farm Service Agency
Room 3416, 700 West Capitol Avenue
Little Rock, Arkansas 72201-3225

ARKANSAS NOTICE FLP-119

Handbook 2-FLP

For: All County Offices

Evaluation of Guaranteed Loan Application

Approved by: State Executive Director



1 Overview

Form FSA 1980-02 "Guaranteed Loan Processing Checklist" Part D establishes review requirements in accordance with 2-FLP, Part 8. Item 20 instructs to complete a loan narrative addressing how the loan applicant meets each of the items in Part D. There has been no previous notice issued concerning this subject.

2 Purpose

The purpose of this notice is to ensure that FSA loan officers are preparing an adequate loan narrative that describes in detail items 13-19 on Form FSA 1980-02. The intended outcome is a more uniform analysis of the proposed guaranteed loan application and to ensure that 2-FLP requirements are being met.

3 Action

Farm Loan Officers are to immediately comply with the requirements of this notice. Each guaranteed loan application will have the following addressed in narrative form. The narrative shall be identified as a narrative and placed in position three of the guaranteed county office file.

1. Loan applicant eligibility.
2. Loan purposes.

Disposal

December 1, 2004

Distribution

All FSA County Offices

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3. Loan limitations.
4. Loan terms, insurance, inspections and fees.
5. Collateral:
 - a. Is the security adequate?
 - b. Is the lien position appropriate?
 - c. Is the collateral identifiable?
 - d. Is the type of collateral appropriate for the loan?
6. Feasibility:
 - a. All debts reflected in Plan?
 - b. Are realistic commodity prices used and documented?
 - c. Are yield expenses realistic and supported by history?
 - d. Are expenses realistic and supported by history?
 - e. Are family living expenses realistic?
 - f. Does the operation project a positive cash flow?
7. Environmental Review:
 - a. Complete 1940-22, Environmental Checklist for Categorical Exclusions.
 - b. HEL/Wetland Review.
 - (1) Check FSA files for current version of AD-1026
 - (2) If HEL or Wetlands are present, verify with NRCS that a conservation plan is being applied.
 - (3) Verify that the conservation plan is reflected in the cash flow.
 - c. If real estate is to be taken as primary security, check the application to see if the lender completed a due diligence investigation for hazardous waste and if any problems were noted.
 - d. If necessary, complete a Class I Environmental Assessment or Class II Environmental Assessment as required by 1940-G as well as all necessary permits.

Referral to the lender's loan narrative is not acceptable.

- 4 **Inquires** If there are questions about this notice, contact Cully Culpepper,
Farm Loan Specialist, Farm Loan Division at (501) 301-3042.